

SELECTED SOCIAL ASPECTS OF THE QUALITY OF LIFE: A CASE OF THE CITY OF PILSEN, CZECH REPUBLIC

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Abstract

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The article deals with the development of the labour market in the city of Pilsen after 1989, which was significantly influenced by the transformation of the local industry. Apart from the traditional indicators of the labour market, the authors also deal with the proportion of foreign workers. Over the past decade, a dramatic growth of foreigners has been depicted, which was caused by the arrival of foreign investors in Pilsen as these have created a number of job opportunities for less qualified workers. The aim of the contribution is to identify both positive and negative social aspects of life in Pilsen as these are influenced by the development of the situation on the labour market in the city and also to monitor the internal and external factors influencing the development.

Key words

Pilsen; industry; labour market; life quality; foreigners; global economic crisis

1. Introduction

The city of Pilsen is the metropolis of the Western part of the Czech Republic. Ever since its origin, Pilsen has been a significant centre of commerce, production activities but also of education and culture in the entire West Bohemian region and its significance extends beyond its boundaries. The crucial role of Pilsen stems primarily from its advantageous location as far as transport is concerned as, it has always been a significant factor of the development of the city. The location of Pilsen was, especially during the 20th century, of crucial geopolitical significance which influenced the development of the city and its background both positively and negatively. Several times in the history Pilsen has found itself on the boundary of different worlds, as for example on the boundary of the Protectorate, the demarcation line, in the vicinity of the Iron Curtain but also on the boundary of the EU and other European states in the time before the Czech Republic joined the EU (Dokoupil 2007). Within Czechoslovakia, the location of Pilsen was rather eccentric, but this irregularity underwent a change by a new geopolitical orientation of the state after the year 1989 and the origin of the autonomous Czech Republic in the year 1993.

From the point of the economic-geographic location Pilsen has an advantageous position in relation to the main economic centres of Europe, namely in relation to the economically strong neighbour Bavaria. In combination with the quality transport connection to Prague, Pilsen is an attractive city for foreign investors.

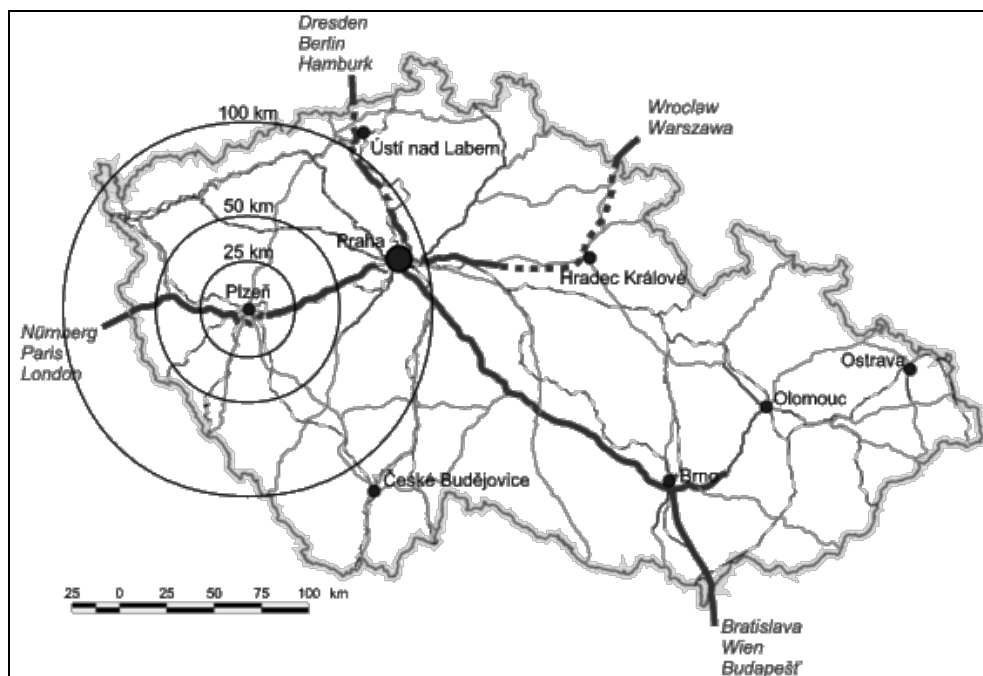


Fig. 1: The location of Pilsen within the Czech Republic.

Source: Statistical Yearbook of Pilsen Region (2006).

Tab. 1 illustrates the basic data concerning the city of Pilsen. The fact, that almost one third of the region's population lives in Pilsen, confirms its natural significance as a centre. In the whole West Bohemian region there is an obvious discrepancy between the city and the economically weak and depopulating surroundings (Chochole 1995). Thanks to the concentration of job opportunities Pilsen is also a significant centre of commuting to work.

Tab. 1: Basic Data of the City of Pilsen (2010).

Land Area (km ²)	138
Population	165,238
Percentage in the total population of the region (%)	32.5
Population density (pers./ km ²)	1,339
Average labor force	113,024
Number of job seekers	5,602
Land Area (km ²)	138

Source: City Invest Czech (2010).

After the year 1989 the city has witnessed some significant changes in its economic and social development. Some of the changes, caused by the change of the political orientation of the country are also common for other cities of the transforming countries of Central and Eastern Europe; others are specific only for Pilsen. The aim of this contribution is to identify some positive and negative social aspects of the quality of life in Pilsen which are caused by the development of the situation on the labour market of the city and to monitor the internal and external factors influencing the development. Hence the contribution deals with some selected aspects of the transformation of industry, labour market and the influx of foreign workers, which was enabled by the changes of the economical structure of the city of Pilsen.

2. Methodology

In the present study, mainly national and regional statistical materials have been applied and these were later processed analytically and interpreted in synthetic conclusions. The development of the labour market in the city of Pilsen has been recorded by means of the development of the rate of unemployment over the period 1989 – 2011. The necessary data are available from the Ministry of Labour and Social Affairs. The structure of the local market from the point of the foreign workers is based on the statistics of the Employment Office in Pilsen, Foreign Police and Department of Social Services of the city of Pilsen. It is much more complicated to identify the factors that have participated in the development and that closely relate to the complex process of the transformation of the city industry. The analysis of the changes in the city industry was based on the data on employment in companies in the time period 1989 – 2008. The state of the industrial production at the beginning of the transformation process can only be characterized thanks to the publication *Workers and wage funds of the socialist sector of the national economy in regions and districts as divided according to the sectors of the national economy of the Czech Socialist Republic for the year 1989* (Czech Statistical Office 1989), which contains data about the number of employees in the individual sectors of the national economy. In 2008, there were no more databases gathering data of the same structure. Therefore it was necessary to create a new database based on the

employment data of the individual industrial companies of the city as these are integral part of the financial statements of the given companies. By means of comparing the gained employment data in the time period 1989 – 2008, it was possible to capture the most crucial manifestations of the city's industry transformation, such as the change of the sectoral structure, the change of the size and ownership structure of companies and the change of the city spatial arrangement (Bašťová 2011). Apart from the employment data in industries, the data concerning the development of foreign investment in Pilsen were also applied as these are available from the Czech National Bank.

3. Factors influencing the development on the labour market of the city of Pilsen

Various factors influence the development of the labour market in Pilsen. These are mainly factors connected with the historical genesis of the labour market (Dokoupil 2007). The geographical location of the city of Pilsen can be seen as one of them as the city lies on the main transport arterial road from Bavaria to the Czech metropolis. It was the crossroads of the old commercial trails earlier, these days it is a traffic junction on the significant European corridor. An excellent transport location together with the natural riches in the city background (mineral resources – fuel and energy base, iron ore, kaolin) have become the driving force of the economic but also of the social development. Besides commerce also traditional crafts developed in the city, which had a significant impact on the quality and skilfulness of the labour force in Pilsen. This development dates back to the times of the golden age of crafts in Pilsen in 15th and 16th centuries, later on this continued by the era of industrialization resulting from the enhancement of the transport infrastructure at the turn of 19th and 20th centuries. The interwar and war periods further improved the technical skilfulness of the labour force in Pilsen, which factor was further utilized by the socialist planned mass production. This gave the city the image of a significant industrial centre with experienced and technically capable labour force, but this positive phenomenon was later handicapped by the deformed industrial structure. Pilsen was strongly oriented to heavy engineering; other industries, such as food-processing industry were only marginally represented from the employment point of view.

At the beginning of the 1990s, the transformation of the Czech economy began and, logically, this also affected the industry in Pilsen, mainly the local engineering. Even though a part of the redundant labour force was absorbed by the growing tertiary sector, or as it may be, the offer of new jobs in the city background (the level of commuting to Pilsen was reduced), it was still necessary to face the danger of growing unemployment resulting from the redundant labour force from the transforming plants. Just to give the reader an idea, the biggest employer in Pilsen, the engineering concern Škoda employed 33.500 workers in the year 1989, which accounted for 31.1% of the economically active population in the city (Bašťová, Toušek 2005). In the whole monitored period 1989 – 2008, there was a reduction in the number of workers employed in industry from 47.800 in the year 1989 to 31.200 in the year 2008. The proportion of industry in the overall employment was then reduced from 43.6% in the year 1989 to 29.3% in the year 2008.

The magistrate, aware of the above mentioned attractiveness of the city (suitable communication position, experienced labour force) started, immediately at the beginning of the transformation process, looking for ways to reduce the negative

impact of the transformation, especially the growth in unemployment. Here we can talk about specific effects on the development of the labour market, but this time the effects were controlled because they were given by the level of management of the societal elements. By means of the modern concepts of the localisation analyses, respecting preferences of the foreign investors, a significant industrial zone started to be built (in the year 2000 the project was evaluated as the zone with the biggest economic benefit in the Czech Republic). The zone was meant to increase the investment attractiveness of the city as it became, in the conditions of the transforming Czech economy, the initial quality indicator of the economic environment. The development of the unemployment rate responded to the influx of foreign investment positively (see Fig. 2). Namely at the turn of the millennium the rate of unemployment started to divert from the national trend significantly.

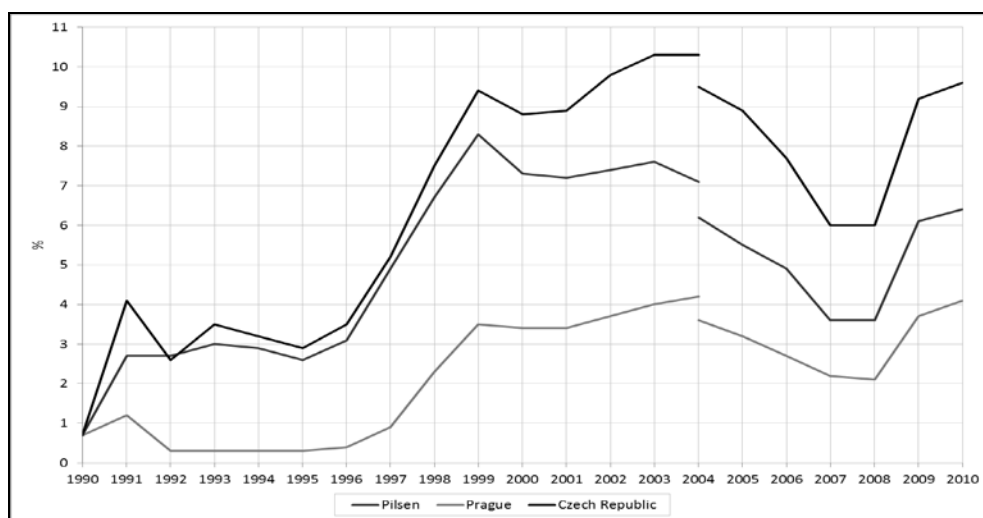


Fig. 2: Unemployment rate in Pilsen between 1990 and 2010.
Source: Monthly statistics of unemployment (1990-2010).

The investment attractiveness is the driving force for receiving the direct foreign investment with the aims of dealing with the employment issues in the city, of getting easier access to the markets of the most developed countries and, last but not least, of the influence on changes in the company environment (Toušek, Kunc, Vystoupil 2008). Numerous studies compare the selected indicators of foreign and domestic businesses and some general conclusions are being arrived at, claiming that in foreign companies the labour productivity is higher, there are higher wages and qualified workers, modern management of the human resources and strong orientation on export. The city of Pilsen has become, thanks to its position and the well-built industrial zone, one of the most attractive Czech localities for foreign investors dealing namely with the export oriented production. Based on the data of Czech National Bank (Foreign Direct Investment. Annual Report 2007), the state of direct foreign investment in the year 2007 was Czk 37.8 bn, which is almost three times as much as the average of this indicator for the other districts in the Czech Republic. The indicator of the state of direct foreign investment per head ranked Pilsen in the year 2007 on the tenth position among the districts in the Czech Republic.

According to Baštová and Dokoupil (2010) around 54% of all the companies in Pilsen with more than 10% share of foreign capital focused on the industrial production and the same applied to 83% of the job positions in these companies (based on the data of companies with 20 employees and above). On the other hand, services have remained the dominant feature of the Czech investors. The influx of foreign investments has changed the industrial structure in Pilsen dramatically. There has been a shift from industrial specialization to sectoral diversification. While in the year 1989 Pilsen specialised mostly in engineering industry (according to the number of employees), a bit less in paper and polygraphic industries as well as food processing industry, in the year 2008 we can speak about significant specialization in the electrical engineering industry represented by new investments, such as the Japanese Panasonic AVC Network Czech, s.r.o., or chemical industry focusing on production of plastic components for car factories.

Despite the above facts engineering remains the main traditional industry of the city. On the basis of the former Škoda company business is done by smaller companies, such as ŠKODA Transportation a.s., Škoda JS a.s., Pilsen Steel s.r.o., Škoda Power a.s., Škoda Machine Tools a.s., which made use of the world famous brand, the tradition of engineering production in the city, the specific level of education and skills of the local labour force working in engineering for a long time, the existence of appropriately focused schools, including the university and the involvement of foreign capital. Apart from the changes in the ownership structure of the industrial plants and their size structure even the localization of the industry within the city has changed. The global economic crisis made its presence felt in the industrial sphere in Pilsen at the end of the year 2008. The crisis affected the employers participating in the activities in the automotive industry most (mostly foreign companies). The biggest slump in employment was recorded in Pilsen in chemical and engineering industries as in Pilsen these are, to a large extent, linked to the production of components for the car industry (Baštová 2011). The electrical engineering industry was less affected by reducing the number of job opportunities.

4. The industrial park Bory Field and new centres of development of technologies

The growing rate of unemployment resulting from the restructuring of the Škoda company and closing down of other industrial plants at the beginning of the transformation period made the city management take a strategic decision – to build the industrial park Bory Field. The city invested heavily in the infrastructure of a large intact area on its Western border and created a system of incentives for foreign investors. Their aim was to diversify the industrial structure by means of the influx of foreign investors because the local entrepreneurs did not have enough capital. The project Municipal Industrial Park Bory Field was one of the most successful projects within the city. Thanks to the vicinity of the German border, the advantageous motorway connection with Western Europe and the city readiness in terms of space and incentives, the well prepared industrial park was quickly filled with companies originating their business from scratch. In the first stage it was mostly assembly plants, while research and development was mostly implemented in their parent companies abroad. In course of time, however, it turned out that this type of investment does not make use of the local qualified labour force sufficiently enough and, what is more, this type of investment was not linked with the local economy well enough. These subsidiaries of foreign companies create the much needed links with the local subjects but fail in the subcontract opportunities or in the

transfer of the advanced technologies and the know-how to the local economy. There is a potential threat that the investors might leave for countries with cheaper labour force. Therefore the city started changing its strategy and started preferring the localization of production with higher value added and with its own research base.

Tab. 2 : Selected indicators of the industrial park Bory Field (31.12.2010).

Area	105 ha
Number of localized enterprises	42
Number of job positions	10,747
Investment of localized enterprises	18,199.5 mil. CZK
City investment	560 mil. CZK
Investment of local owners of electricity, water, gas networks	31 mil. CZK
State investment	76 mil. CZK

Source: Urban Planning and Development Institute of the City of Pilsen (2011).

The origin of the Science and Technology Park Bory Field in the year 2005, located on the border of the Municipal Industrial Park Bory Field in the vicinity of the University of West Bohemia became a crucial project of the city. The cooperation of the development companies and university workers takes place here on the daily basis. The Science and Technology Park in Pilsen has more than 10 thousand m² of office, pilot and laboratory areas at disposal. It has modern infrastructure to support research, development and innovation in cooperation with the research background of the university which, at the moment, is building a new modern centre for the research of new industrial materials in a nearby locality. Even some individual local businesses have their development departments here, mainly in engineering and electrical engineering industry (Kerio Technologies, HOFMEISTER s.r.o., MBtech Group and a number of others). The company BIC Pilsen – Entrepreneurial and Innovative Centre has been dealing with the support of innovative business activities since the beginning of the 1990s. Its services mainly aim at small and medium sized innovative enterprises. The centre provides support in setting up new, technology oriented companies, help in searching for funds for the development projects, counselling in issues concerning the origin of new companies, transfer of technologies, involvement of companies in the European programmes and such like. The centre is linked with the European network supporting small and medium sized enterprises Enterprise Europe Network. The support of investment with higher value added helps use the local qualified labour force, mostly oriented on technology, in a better way. Moreover, this kind of investment creates closer relationships between industrial enterprises and the local region and thanks to this effort the risk of the foreign companies leaving for Eastern Europe is gradually being eliminated.

5. Foreigners on the local labour market

The decision of the city to adopt a strategy to support foreign investment and to build the Municipal Industrial Park Bory Field turned out to be a very successful step. In course of time a discrepancy between the quality of the redundant labour force in the city and the requirements of the industrial companies concerning the staff quality made its presence felt ever stronger, because the majority of foreign investment specialised in the fields requiring a large number of non-qualified labour

force. There were more and more situations when the Czech workers were less willing to work in the conditions of the physically demanding jobs with minimum pay, and what was more, all this was taking place in the conditions of a relatively generous social system. Consequently, Pilsen did not have enough labour force able to meet the demand. In connection with this Pilsen experienced a high influx of foreign workers (see Fig. 3), mainly from Eastern Europe and Asia who filled the offered job positions (the most numerous nationalities were and still are the Slovaks, Ukrainians, Moldovans, Mongols and Vietnamese).

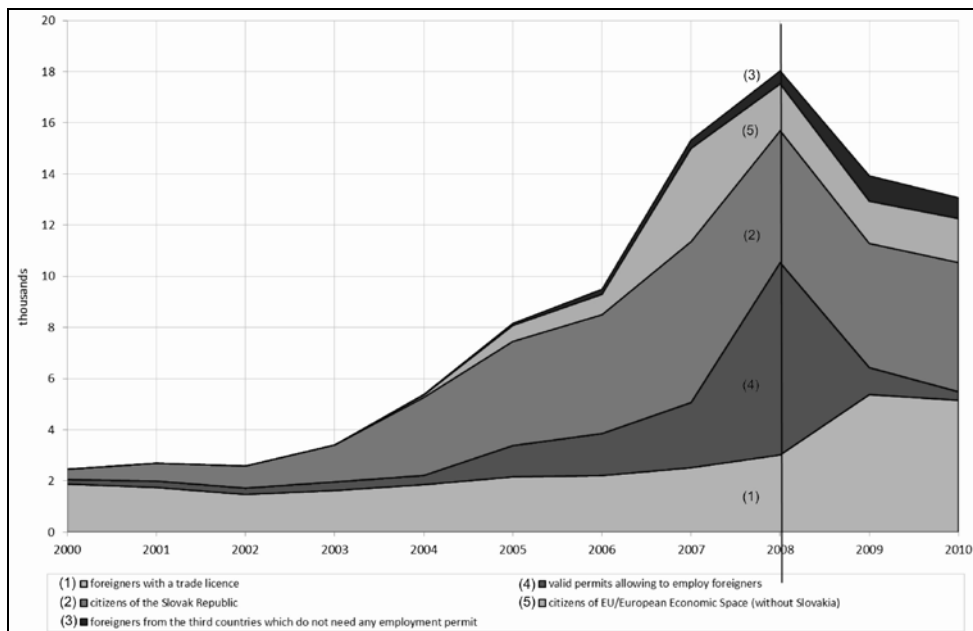


Fig. 3: Development of working foreigners in the city of Pilsen (1997-2010).
 Source: Annual report on the situation on the labour market in the district Pilsen-centre (2000-2010); Horáková (2000-2010).

In 2008, the number of foreigners working in legal job positions reached its climax of 18,000 (which was 16.3% of the total labour force of the city, while a similar figure for all the Czech Republic at that time was only 6.4% of legally employed foreigners). This way the foreigners have become a new phenomenon in the city. The majority of them are still working in the blue collar positions (86%). Even in our city cutting production and dismissing a number of workers was the result of the global economic crisis and these measures primarily affected foreigners. The efforts of the government to support their organized departure to their mother countries failed. In spite of that the number of foreigners working in the city started to decrease gradually. The efforts of foreigners, gradually losing their jobs, aimed at getting a trading licence or at earning their living even in an illegal way, and they sometimes even bordered on criminal activities. In relation with the high number of foreigners in the city the municipal bodies have to deal with a lot of problems never heard of before, such as illegal employment, lack of complete information about foreigners, lack of accommodation for foreigners, namely for families with children or single mothers with children, insufficient ability of foreigners to communicate in Czech or in English, bias of the local inhabitants against foreigners, insufficient

responsibilities of job agencies and often even abusing the work of foreigners by the agencies, minimum cooperation of foreigners and their communities with the city.

6. Conclusion

The development of the city was rather complicated in the transformation period. A significant role was played by the above mentioned relative change of the city position, which had been highly marginalized within the former Czechoslovakia. After the year 1989 the "barrier" Southwest boundary of the state became a contact border enabling mutual cooperation of the neighbouring countries and diffusion of innovation. In Pilsen it was manifested and it is still being manifested by significant investment of foreign capital, which, apart from the suitable city location, also makes good use of the city agglomeration effects. The arrival of investors enables penetration of the know-how from the world leading economies and the development of universal cooperation with the advanced countries of Western Europe. The factors affecting this development on the labour market have been both external, i.e. various decisions at the national level (political decisions, economic incentives), the economic crisis, competition from abroad, but the factors have also been internal. As far as various decisions at the regional down to the local levels are concerned, let us name, for example, the decision on the origin of the Municipal industrial Park Bory Field and the significance of the players involved who have had important roles in the local development.

A high number of the new job positions in the Municipal industrial Park Bory Field also helped deal with the threat of the negative social impact of the industrial collapse of the city. The city gained new investors and job positions. New businesses built from scratch (mostly assembly lines) have attracted a lot of foreigners to come to the local labour market. Their employment is connected with all sorts of problems, which are most visible in the crisis periods of the production cycles. The city management and the individual companies are aware of the fact that it is better to change the conditions in the local industry rather than to solve the existing problems. A new strategy of the city is trying to change the character of the industrial production in Pilsen. It is heading for support of investment with a higher value added, for support of innovation in the new companies but also in the existing ones, for the connection of science and development with production activities in the new technology centres and for support of progressive small and medium sized enterprises, not only in the traditional fields (such as engineering and food processing) but also in the new areas (at present the development and the planned production of the top quality medical equipment may serve as a good example). Better use of the local educated labour force is also important in this context.

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IZBRANI SOCIALNI VIDIKI KAKOVOSTI ŽIVLJENJA NA PRIMERU MESTA PLZEN

Povzetek

Mesto Plzeň je regionalno središče zahodnega dela Češke. Zaradi bližine gospodarsko razvite Bavarske in zaradi ugodnih prometnih povezav z bližnjimi regionalnimi središči, je bil Plzeň zanimiva lokacija za tuje investitorje. Po spremembi gospodarskega sistema je sicer prišlo do propada nekaterih podjetij, vendar so se v istem času pojavili številni investitorji iz zahodne Evrope, ki so v Plzňu postavili nove industrijske obrate, oživili proizvodnjo v nekdanjih obratih, številni pa so vlagali v razvoj trgovine. Gospodarsko prestrukturiranje po letu 1990 zato mesta Plzeň ni prizadelo v enaki meri kot številna druga območja v Češki. Nasprotno, da bi ugodili povpraševanju po zemljiščih za gospodarske dejavnosti, je mesto Plzeň uredilo največjo industrijsko cono Bory. V novo industrijsko cono so svoje proizvodne obrate preselila številna nemška podjetja, nastal je tehnološki park ter inovacijski center. S tem se je število zaposlenih v Plzňu zelo povečalo. Struktura plzenske industrije še vedno obsega veliko delovnih mest za manj kvalificirano delovno silo, za kar pa med domačini ni bilo dovolj zanimanja. V Plzeň so se priselili številni delavci iz drugih držav Vzhodne Evrope, predvsem iz Slovaške, Ukrajine, Moldavije, Kambodže in Vietnama. S tem se je nacionalna sestava v mestu precej spremenila. Delež tujih delavcev je kar 16,3% med vsemi aktivnimi, delež tujih delavcev v državi znaša 6,4%. V gospodarski krizi, ki je zajela evropske države, so prvi izgubili delo prav tuji delavci. Vendar jih velika večina ni zapustila Češke, temveč se je povečal obseg ilegalnih priseljencev, dela na črno in sive ekonomije. Pojavljajo se novi socialni problemi povezani z revščino, asimilacijo in negativnim odnosom do tujcev.

